



Affordable Care Act: Key Small Business Provisions

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The Portland District Office provides SBA programs and services to Oregon and Southwest Washington. Working with SBA resource partners around the community, we can help you start, grow and achieve success for your business.

For more information and other resources please see our Small Business Resource Guide:
www.sba.gov/sites/default/files/files/resourceguide_3140.pdf

Provisions Currently in Effect - 2013

The Affordable Care Act (ACA) will help small businesses by lowering premium cost growth and increasing access to quality, affordable health insurance. If you're a small employer, the following are some of the ACA provisions that may apply.

Small Business Tax Credits

The small business tax credit helps small businesses afford the cost of health care coverage for their employees and is specifically targeted for those businesses with low- and moderate-income workers. The credit is designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have. Businesses that have fewer than 25 full-time equivalent employees, pay average annual wages below \$50,000, and contribute 50% or more toward employees' self-only health insurance premiums may qualify for a [small business tax credit](#) of up to 35% to help offset the costs of insurance. In 2014, this tax credit goes up to 50% and is available to qualified small businesses who participate in the [Small Business Health Options Program \(SHOP\)](#), described below. Eligible small employers can claim the current credit through 2013, and the enhanced credit can be claimed for any two consecutive taxable years beginning in 2014 through the SHOP (at www.healthcare.gov/marketplace/small-businesses).

Summary of Benefits and Coverage (SBCs) Disclosure Rules

Employers are required to provide employees with a standard [Summary of Benefits and Coverage](#) form explaining what their plan covers and what it costs. The purpose of the SBC form is to help employees better understand and evaluate their health insurance options. Penalties may be imposed for non-compliance. The Department of Labor has provided a [sample completed SBC](#) that employers may reference.

Medical Loss Ratio Rebates

Under ACA, insurance companies must spend at least 80% of premium dollars on medical care rather than administrative costs. Insurers who do not meet this ratio are required to provide rebates to their policyholders, which is typically an employer who provides a group health plan. Employers who receive these [premium rebates](#) must determine whether the rebates constitute plan assets. If treated as a plan asset, employers have discretion to determine a reasonable and fair allocation of the rebate. For more information on the federal tax treatment of Medical Loss Ratio rebates, refer to IRS's FAQs at [www.irs.gov/uac/Medical-Loss-Ratio-\(MLR\)-FAQs](http://www.irs.gov/uac/Medical-Loss-Ratio-(MLR)-FAQs).

W-2 Reporting of Aggregate Health Care Costs

Beginning January 2013 (applicable to 2012 reporting), most employers must report the aggregate annual cost of employer-provided coverage for each employee on the Form W-2. The new W-2 reporting requirement is informational only and it does not require taxation on any health plan coverage. Reporting is required for most employer-sponsored health coverage, including group medical coverage. Small Employer Exception: For 2012 reporting and beyond until further guidance is issued, the W-2 reporting requirement does not apply to employers required to file fewer than 250 Form W-2s in the prior calendar year. To learn more about the requirements, as well as exclusions, visit IRS.gov at www.irs.gov/uac/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage.

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Limits on Flexible Spending Account Contributions

Beginning January 2013, the maximum amount an employee may elect to contribute to health care flexible spending arrangements (FSAs) for any year will be capped at \$2500, subject to cost-of-living adjustments. Note that the limit only applies to elective employee contributions and does not extend to employer contributions. To learn more about FSA Contributions, as well as what is excluded from the cap, visit IRS.gov at www.irs.gov/pub/irs-drop/n-12-40.pdf.

Additional Medicare Withholding on Wages

Beginning January 1, 2013, ACA increases the employee portion of the Medicare Part A Hospital Insurance (HI) withholdings by .9% (from 1.45% to 2.35%) on employees with incomes of over \$200,000 for single filers and \$250,000 for married joint filers. It is the employer's obligation to withhold this additional tax, which applies only to wages in excess of these thresholds. The employer portion of the tax will remain unchanged at 1.45%.



New Medicare Assessment on Net Investment Income

Beginning January 1, 2013, a 3.8% tax will be assessed on [net investment income](#) such as taxable capital gains, dividends, rents, royalties, and interest for taxpayers with Modified Adjusted Gross Income (MAGI) over \$200,000 for single filers and \$250,000 for married joint filers. Common types of income that are not investment income are wages, unemployment compensation, operating income from a non-passive business, Social Security Benefits, alimony, tax-exempt interest, and self-employment income.

Additional Resources

The U.S. Small Business Administration's health care web page, www.sba.gov/healthcare, is dedicated to educating small business owners about the Affordable Care Act. This site will serve as a gateway for small business owners connecting them with information provided by SBA's federal partners responsible for implementing the law, including the U.S. Department of Health and Human Services.

Healthcare.gov is a web portal maintained by the U.S. Department of Health and Human Services. The small business site, at www.healthcare.gov/using-insurance/employers/small-business, includes information about the new health insurance Marketplaces, coverage options, and more. Businesses can stay connected to the latest information on the Marketplaces by signing up for text and email alerts at signup.healthcare.gov.

For a Glossary of key terms under the Affordable Care Act, visit www.healthcare.gov/glossary/.

IRS website includes summaries of tax-related ACA provisions, FAQs, and eligibility worksheets, visit www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions.

Employers can also refer to the Department of Labor's website for ACA-related information at www.dol.gov/ebsa/healthreform.

Find out more about Oregon's Healthcare Exchange at www.coveroregon.com.

Find out more about Washington's Healthcare Exchange at www.wahbexchange.org.